

# Banking 101

AN MBA OVERVIEW



Michigan Bankers Association

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## Today's Agenda

- What is the Michigan Bankers Association?
- What is Depository Banking & The "Dual Banking System"
- Laws and regulations affecting banks and other financial institutions
- Recent developments



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## What is the MBA

- The Michigan Bankers Association is the premier representative of Michigan Banks, representing approximately 150 of the institutions with a physical presence in Michigan.
- Established in 1887
- A tax exempt non profit Corporation
- Formed to protect the interests of Michigan banks in Washington and Lansing



## MBA Member Driven Standing Committees

- Audit/Risk Management Committee
- Bank Counsel Committee
- Bank Management Committee
- Commercial Lending Committee
- Environmental Affairs Committee
- Funds Management Committee
- Grassroots Advocacy Committee
- Human Resources Committee
- Marketing Committee
- Operations & Technology Committee
- Retail Lending Committee
- Taxation Committee
- Trust Counsel Committee
- Trust Executive Committee
- Trust Management Committee
- Trust Retirement Committee
- Trust Taxation Committee



## The Dual Banking System

### Federal Banking System



National banks



Federal associations



Federal credit unions

### State banking system



Banks



Savings & loans



Savings banks



Credit unions



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## Examinations

- Banks and thrifts are periodically examined by their state and federal regulators.
- Areas of examination:
  - Safety and soundness
  - Consumer Compliance
  - Bank Secrecy Act
  - Trust Banks (where chartered)
  - Community Reinvestment Act compliance
  - Information technology
  - Bank Holding Company



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## Dual Banking System - Choice of Charter

- Why choose one charter over another?
  - Powers
    - Some charters have broader powers than others.
    - Eg. [OFIS opinion](#) on power to make loans through auto dealers versus [OCC preemption determination](#).
  - Avoid state-by-state regulation
  - Attitude of the regulator
  - Cost
  - Avoiding multiple regulators

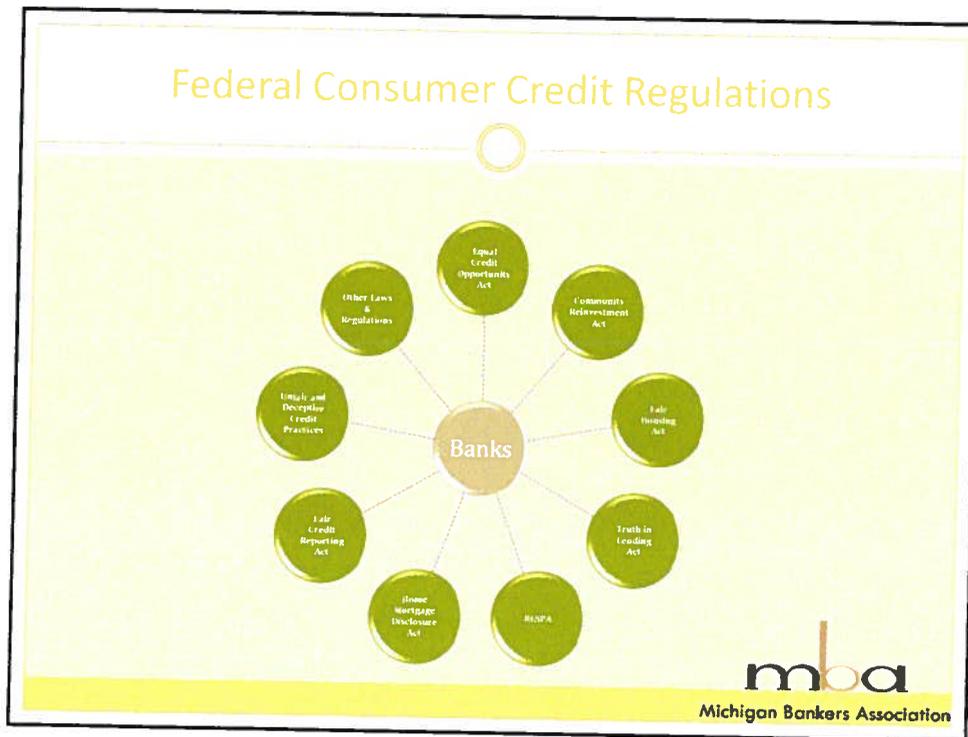
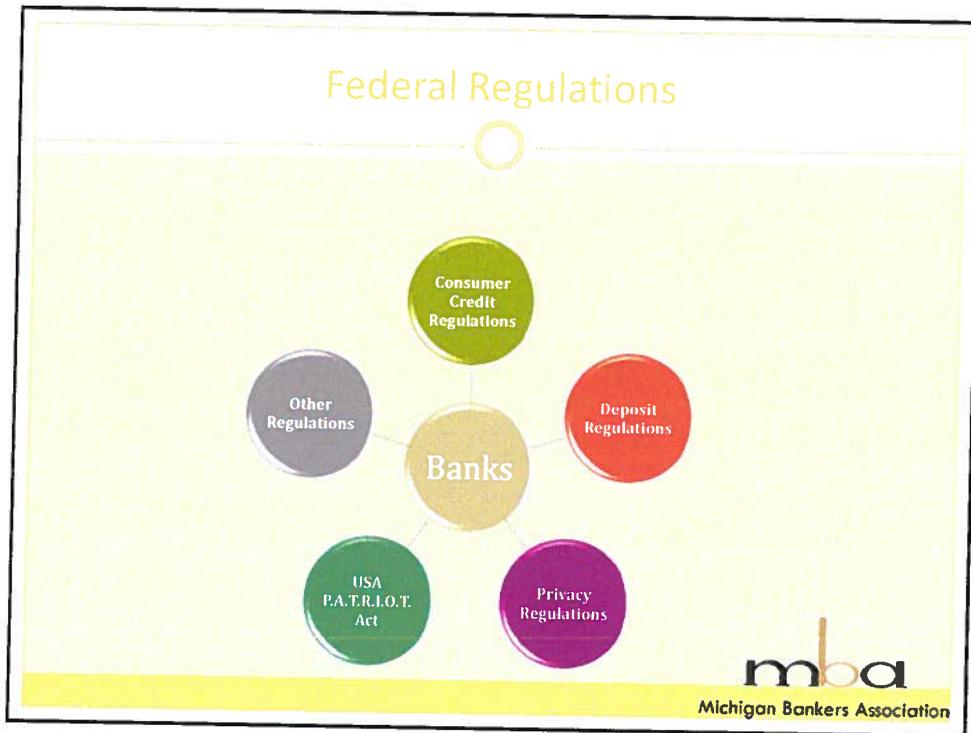


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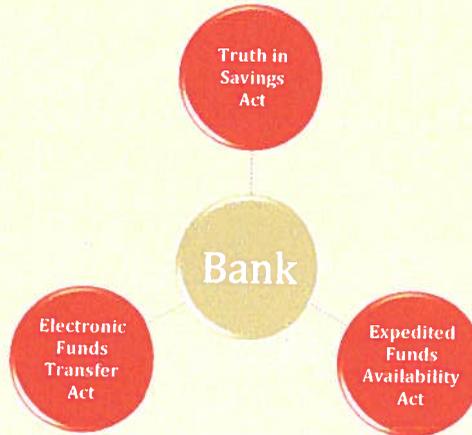
## Laws and regulations affecting banks and other financial institutions



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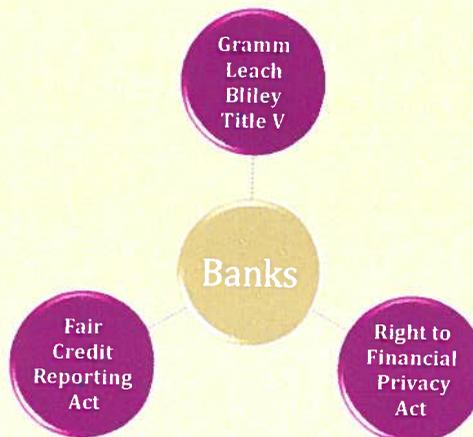


## Deposit Account Regulations



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## Privacy Laws and Regulations



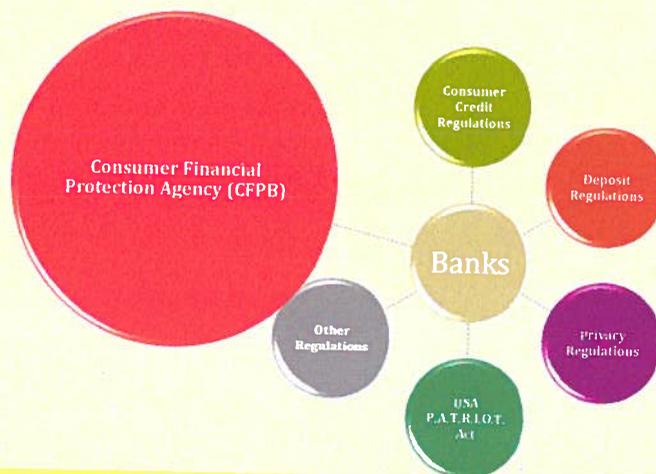
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## U.S.A. P.A.T.R.I.O.T. Act

- Passed following 9-11.
- Continues to be the subject of much debate.
- Provisions that apply to banks apply to all “financial institutions.”
  - Broadly defined to include, among others, banks, trust companies, thrift institutions, private bankers, investment bankers, broker-dealers, investment companies.

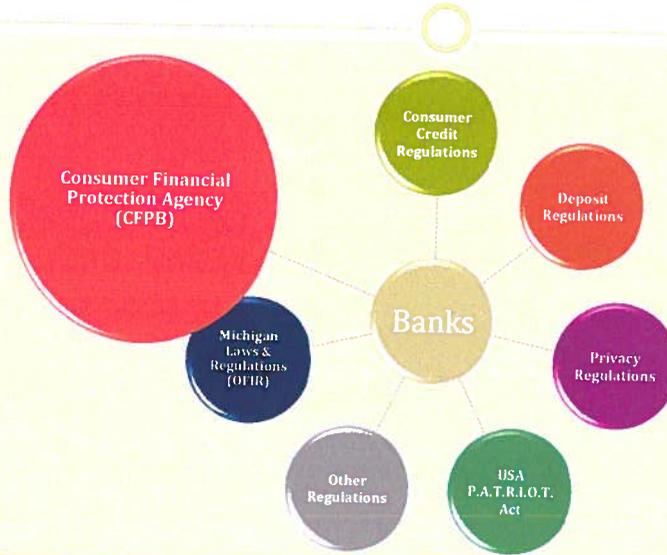
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## Federal Regulations + CFPB



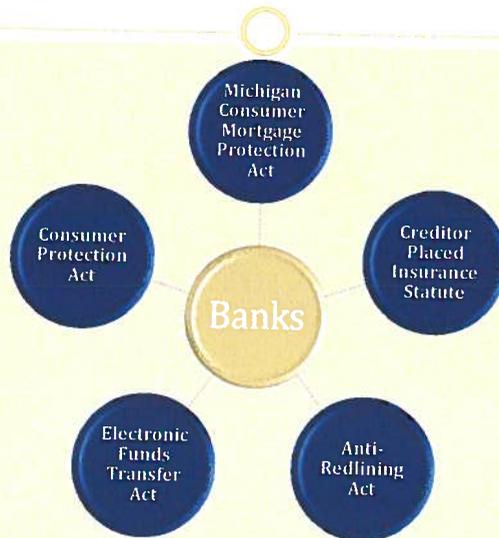
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## Federal Regulations + CFPB + Michigan Laws



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## Michigan Laws

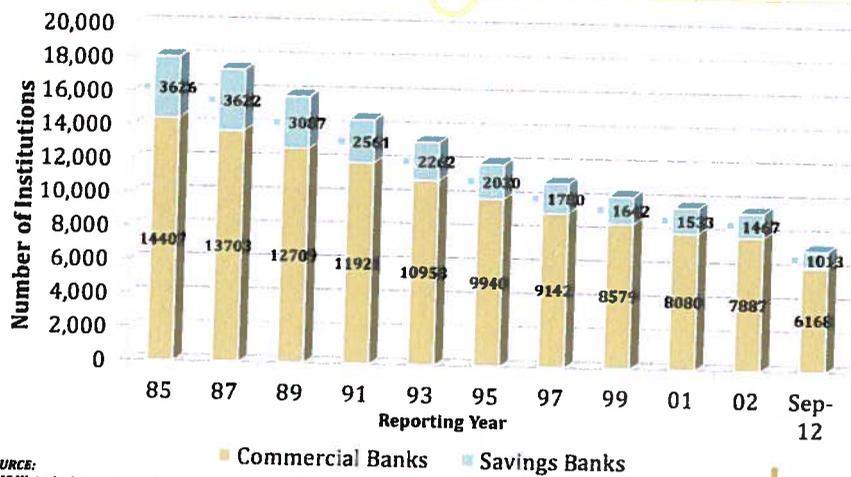


## The Changing Marketplace

- Consolidation in the banking industry

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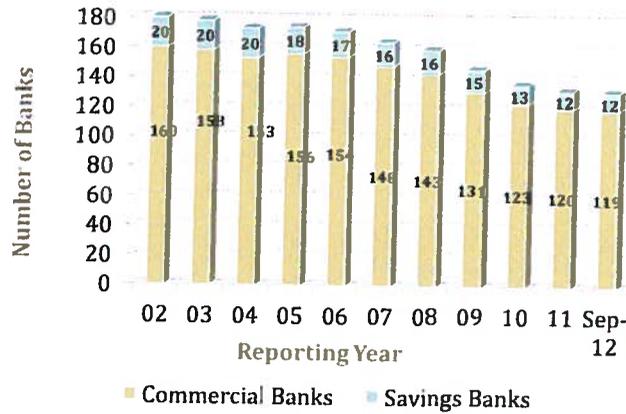
## Total Number of Institutions - Nationwide



SOURCE:  
FDIC Historical Statistics on Banking;  
FDIC QRP Stats-At-A-Glance, September, 2012  
Data does not include non-FDIC institutions

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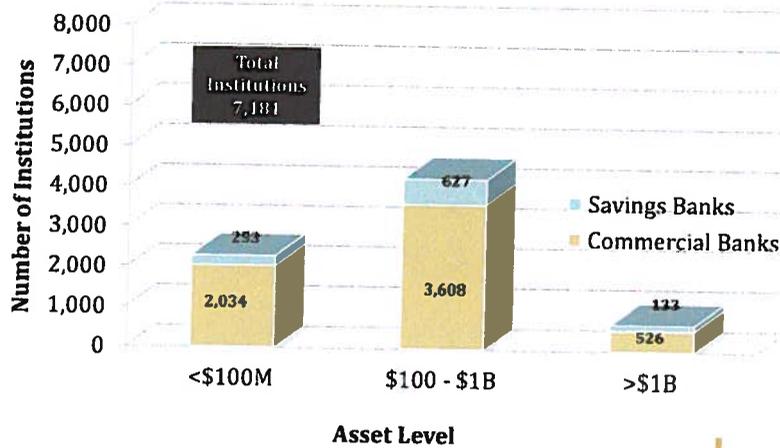
### Total Number of Institutions Headquartered in Michigan



SOURCE:  
FDIC September, 2012 Data  
Data does not include non-FDIC institutions



### Total Number of Institutions in the Nation by Asset Size Group



SOURCE:  
FDIC September 2012 Data  
Data does not include non-FDIC institutions



## Number of Michigan Institutions by Asset Size Group



SOURCE:  
FDIC September 2012 Data  
Data does not include non-FDIC Institutions

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## Competition



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## The Bank of the Future

- Financial Services Center for both retail and commercial customers
- Deposits and Loans
- Investment Center
- Insurance Center
- Real Estate Sales
- Financial Planning



## MBA Advocacy – Issues In Lansing

- Improvements in Michigan's Economy
- Mortgage Foreclosure Reform
- Blighted Property
- Fair Taxation of Financial Institutions
- Avoiding New Restrictions on Consumer Banking
- Preventing Financial Elder Abuse
- Domestic Asset Protection Trust
- Credit Union Charter Conversion



## MBA Advocacy – Issues in Washington

- Reforming the Dodd-Frank Act
- Reforming the Consumer Financial Protection Bureau
- Basel III Capital Rules
- Reforming Fannie Mae & Freddie Mac
- Ending Credit Union Free Ride
- Reinvigorating the Future of Community Banking
- Regulatory Relief
- Examining Banks in a More Balanced Way



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## MBA Advocacy – Credit Unions

- Bank-like Credit Unions Need to Choose to Return to Traditional Credit Union Mission or Become a Mutual Savings Bank
- Significant Competitive Advantages over Community Banks
- \$951 Billion Industry
  - Tax Exemption costing federal government nearly \$8 billion over next five years
- Little Transparency in Credit Union Industry
- Must Make It Easier for Credit Unions to Become Banks if they choose to



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